

Historical Context

Fund Source Analysis

Activities at Yellowstone are funded from four sources:

1) Congressionally **appropriated base** funds intended for day-to-day park operations; 2) Congressionally **appropriated non-base** funds intended for one-time programs such as research studies or major construction projects (e.g., the Federal Lands Highway Program); 3) **Revenue** generated from a variety of park and concessioner fees, donations, etc., and; 4) **Reimbursable** funds (e.g., fees paid to the park for services rendered, such as concessioner utility bills, employee housing costs, and mutual aid that provides services to gateway communities.)

YNP's expenditures have increased steadily in recent years, growing at a compound annual rate of 5.6% per year, from \$30.3M in FY92 to \$55.4M in FY02 (in nominal, non-inflation-adjusted terms). Several trends are noteworthy:

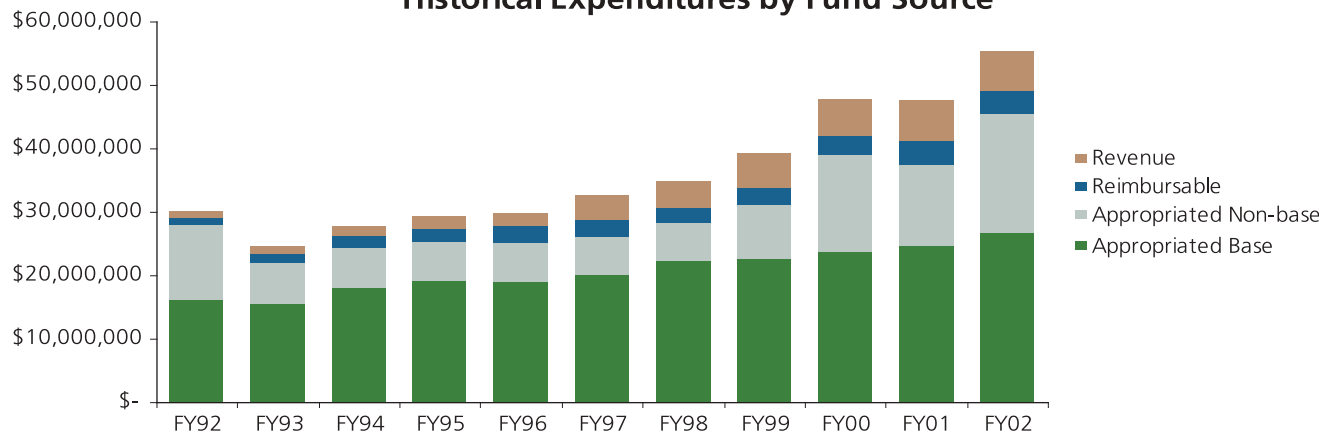
- **Relative decline in base funding:** Yellowstone's relative amount of base funding has declined in recent years, from a high of 65% of total park expenditures in FY94-95 to 48% in FY02, leaving the park with less funding available for day-to-day operations while the number of designated programs has increased. Furthermore, on average, appro-

priated base funds accounted for the majority of the park's spending (59%), which is proportionately lower than the average of 73% in other parks' business plans.

- **Increasing revenue:** Yellowstone began implementing the Fee Demonstration Program in 1997, allowing the park to retain 80% of fees collected. The graph below shows this revenue has been funding a greater share of expenditures since FY97 (from an average of 5% prior to FY97 to an average of 12% between FY97 and FY02). Of all revenue sources, park entrance fees are the most significant, accounting for about 70% of total park revenues. Entrance fees are first used for the park's school and then maintenance projects that directly benefit park resources and the public.
- **Dependence on non-base funds:** Between FY92 and FY02, an average of 25% of Yellowstone's expenditures were funded with appropriated non-base funds. However, this percentage varies greatly year by year (ranging from 17% to 40%), depending largely on when major construction projects are funded. Given the Congressionally mandated purposes of non-base funding and its considerable yearly fluctuation, Yellowstone should not depend on this funding source to support O&M activities.

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Historical Expenditures by Fund Source



Adjusted Base Budget

The figure below illustrates the growth in Yellowstone's appropriated base budget since FY80, both in actual and inflation-adjusted terms. Appropriated base funds account for the majority of the park's spending (59% on average) for the past ten years. These funds are the best indicator of the park's day-to-day financial stability, because other funding sources vary widely from year to year.

While the appropriated base budget shows an increase of \$17.5M since FY80, this increase amounts to \$3.4M in real (inflation-adjusted) dollars.

Two important trends emerge from the figure below:

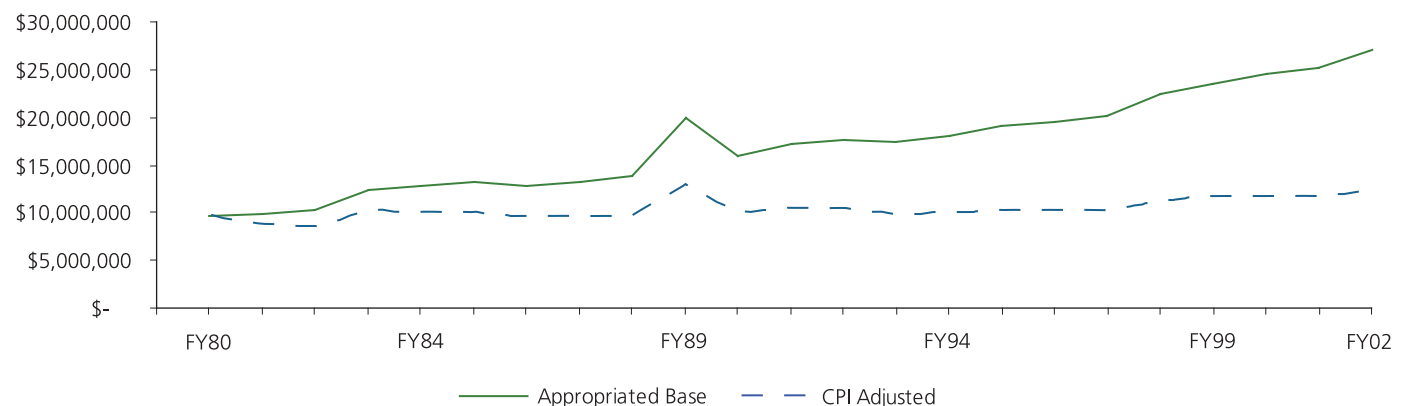
- **Yellowstone's appropriated base budget spiked in FY89**, when the park received a \$6.1M increase after the 1988 wildfires. Most of this base funding was intended for one-time projects relating to fire recovery, and as such was not renewed in future years.
- **The park's inflation-adjusted appropriated base budget has remained relatively flat over the last 20 years.** Appropriated base funds have grown at a relatively constant rate since 1980 (except for the spike in FY89). Before

adjusting for inflation (as measured by the Consumer Price Index), Yellowstone's appropriated base budget increased at a compounded annual growth rate of 4.8% between 1980 and 2002. After adjusting for inflation, however, the growth rate was actually 1.4%. This means that while the appropriated base budget shows an increase of \$17.5M since FY80, this increase amounts to \$3.4M in real (inflation-adjusted) dollars.

The park's largest base budget increases in recent years include the following:

- FY95—\$555K: To maintain roads and trails, and fund a water rights agreement with the state of Montana.
- FY98—\$1.5M: To enhance the welfare of the park's natural resources (\$1.3M) and visitor experience (\$233K).
- FY02—\$1.4M: To implement a long-term bison management plan (\$1.2M) and enhance winter operations to improve visitor experience and employee safety (\$200K).

Appropriated Base Budget History FY80–FY02



Analysis of Real Growth

The table below shows the change in YNP's labor costs from FY94 to FY02. It begins in FY94 due to changes in accounting systems prior to that year. After adjusting for inflation, labor expenditures increased by \$8.2M over this nine-year period, which can be attributed to two factors:

- **Cost of existing staff increased since FY94:** The NPS measures staff hours in terms of Full Time Equivalents (FTE), or 2,080 hours of work annually. The total contribution of all YNP personnel in FY94 (whether full time, part time, etc.) equaled 483 FTE. In FY94, the average cost of salary and benefits for one FTE was \$44,149 in 2002 dollars. This average increased to \$53,126 by FY02. The increased cost per FTE resulted in a labor cost increase of \$4.3M beyond inflation over the nine-year period. This can be attributed in part to automatic annual salary increases. As a result, costs rise as terms lengthen. Additionally, national initiatives to professionalize many

positions, such as Ranger and Resource Careers, increased the base pay of an average FTE. Finally, several factors increased the cost of providing personnel benefits.

- **New positions were added since FY94:** The addition of 72 FTE since FY94 resulted in increased costs of \$3.8M. These new positions represent the park's continuing efforts to better serve and protect visitors, improve protection of the park's resources, and maintain its infrastructure.

It is important to note that labor expenditures are decreasing as a percentage of the park's total costs. Between FY94 and FY02, the increase in labor represented only 36% of the \$22.4M rise in total expenses. The remaining non-labor expenditures are attributed to the implementation of a number of line-item construction programs, including the new Heritage and Research Center and housing improvements, which were almost entirely outsourced.



Yellowstone's sheer size, coupled with its unique variety of resources and geographic isolation, require retention of a sizable, diverse staff of highly skilled and dedicated individuals.

Yellowstone Operational Costs: All Fund Sources

	FTE	FY 1994 Actual Costs		FY 1994 Inflation Adjusted		FY 2002 Actual Costs		Net Cost Increase	
		Average	Total	Average	Total	Average	Total	Average	Total
FY1994 Staff	483								
Salary		\$30,883	\$14,916,474	\$36,905	\$17,825,287	\$42,987	\$20,762,764	\$6,082	\$2,937,476
Benefits		\$6,062	\$2,927,899	\$7,244	\$3,498,859	\$10,139	\$4,897,115	\$2,895	\$1,398,257
Subtotal		\$36,945	\$17,844,373	\$44,149	\$21,324,146	\$53,126	\$25,659,879	\$8,977	\$4,335,733
New Staff	72								
Salary						\$42,987	\$3,095,070	\$42,987	\$3,095,070
Benefits						\$10,139	\$730,005	\$10,139	\$730,005
Subtotal						\$53,126	\$3,825,075	\$53,126	\$3,825,075
Total Labor	555		\$17,844,373		\$21,324,146		\$29,484,954		\$8,160,808
Non-Labor			\$10,045,489		\$12,004,427		\$26,244,620		\$14,240,193
Total			\$27,889,862		\$33,328,574		\$55,729,574		\$22,401,001

Increased Cost Analysis



Yellowstone strives to provide all visitors with adequate access to park features.

Corresponding increases in appropriations have not always accompanied the park's growing responsibilities.

During the past two decades, the activities and functions required of Yellowstone National Park have greatly increased, both in terms of legal mandates and demand for services. Corresponding increases in appropriations have not always accompanied the park's growing responsibilities. Some of the major factors driving costs up include:

- *Changing Visitation Patterns:* Annual visitation has increased from about two million to three million between 1980 and 2002, and changes in the distribution of visitation have significantly increased costs over this period. Whereas the park was previously open for just over three months in summer and received very little winter visitation, the park is now open for almost seven months in spring, summer, and fall and receives approximately 140,000 visitors over three months in winter. These longer seasons have necessitated extending the term of many park jobs from seasonal to subject-to-furlough or permanent positions, increasing benefits costs in proportion to the increasing number of longer-term staff.

Estimated annual cost: \$556K

- *Conversion from CSRS to FERS:* Under the Civil Service Retirement System (CSRS), the cost to the park of employee benefits ranged from 6% to 12% of salary. In 1984, the U.S. Government began the conversion of all its employees to the Federal Employee Retirement System (FERS). Under FERS, the benefits costs formerly borne by the U.S. Treasury were transferred to the agency level, making the park responsible for the entire cost of 20–35% of salary. As more CSRS personnel retire, a greater percentage of park staff receives the more costly FERS suite of benefits. *Estimated annual cost: \$752K*
- *Ranger and Resource Careers:* In 1994, the NPS Ranger Careers initiative, approved by Congress, instituted position upgrades for both law enforcement and interpretive rangers. Law enforcement rangers also received 6(c) retirement classification. A similar 1999 Resource Careers

initiative instituted position upgrades for natural and cultural resource personnel. *Estimated annual cost: \$200K*

- *Cultural Resources Mandates:* In response to new laws and Executive Orders enacted over the last 20 years, the NPS has greatly expanded its emphasis on cultural resources such as archeological sites, historic structures, and cultural landscapes. Like many parks, Yellowstone now has a Branch of Cultural Resources where none existed before.
- *Planning Requirements:* In 1980, one employee met all of Yellowstone's planning needs. Today, management plans require extensive compliance reviews and often require comprehensive environmental impact statements, as mandated by the National Environmental Policy Act.
- *Information Technology:* Over the last two decades, information technology has become an increasingly critical tool for accomplishing the park's business. The park has created entirely new programs to meet these needs in a number of areas: computer and network support; web site development and management; cell phone service for the park's developed areas; and conversion to digital radios, as mandated by Congress.
- *Uniform Federal Accessibility Standards (UFAS):* Compliance with accessibility laws such as UFAS, the federal equivalent of the Americans with Disabilities Act, is mandatory, and essential for improving visitor experiences. Providing this access, however, can be expensive, especially for historic structures, as it includes building new access to infrastructure, providing sign language interpretation, and other adjustments.
- *Maintenance Backlog:* The lack of a preventive maintenance program greatly increases annual maintenance costs. For example, in FY02, the park overlaid five miles of road at a cost of \$340K per mile. Under an effective preventive maintenance program, this road segment would have been chip sealed earlier, when it was in better condition, saving \$223K per year. The park faces similar problems with the maintenance of most of its assets.

Analysis of Expenditures

This business plan defines nine categories of expenditures. The chart below shows that park expenditures grew steadily between FY92 and FY02, with the total rising at a compounded annual growth rate of 5.6% per year before adjusting for inflation. The main reason for this trend was a steady increase in personnel and benefits. Although labor costs are decreasing as a percentage of total expenditures, (from a high of 67% of total costs in FY93 to a low of 53% in FY02), due to larger increases in non-labor spending, the amount expended on labor costs has increased over the last ten years, and compensation costs have grown.

Although the chart below indicates overall steady growth, there are significant fluctuations that warrant discussion. The notable spikes in expenditures are driven by construction costs. These costs are distributed between *Other Services* and *Fixed Assets*.

Relative increases in *Other Services*: On average, Yellowstone spent \$5M per year on *Other Services*, which

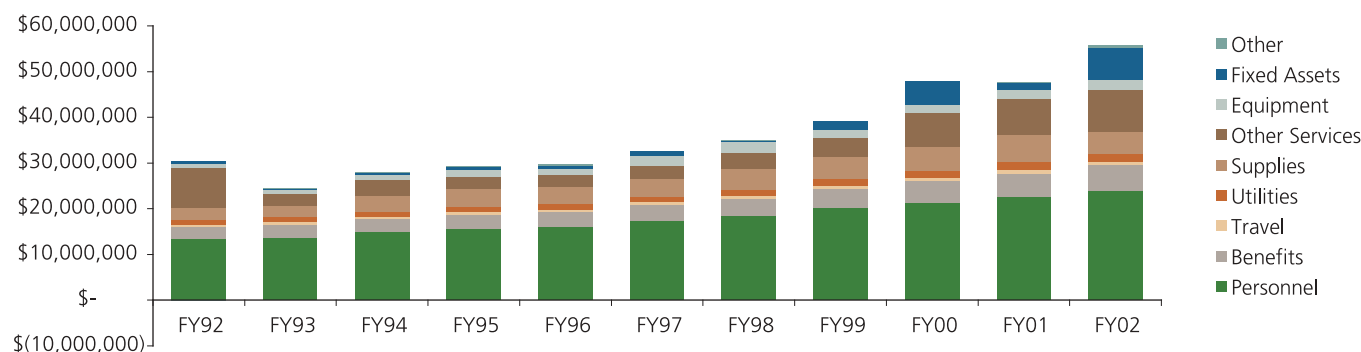
includes contractual costs for services such as architect and engineering designs, aircraft transport, studies and inspections, training, and consulting services. During FY92 and between FY00 and FY02, the park's *Other Services* expenditures exceeded the ten-year average by a range of 35–175%. These large spikes are due to high contract costs for the design and construction of new facilities and roads.

Relative increase in *Fixed Assets*: The park spent an annual average of \$1.7M on *Fixed Assets*, a category that covers contractual construction costs, non-contractual costs associated with the acquisition of land and structures, and costs for easements and rights-of-way. The park saw an unusual spike in *Fixed Assets* expenditures in FY00 related to sewage plant construction. During FY00–02, the park paid for the design and construction of the Heritage Center (\$6.8M), designed and built new housing (\$1.1M), and completed the design and reconstruction of several roads.



The park incurs significant annual costs related to aircraft transport, which is crucial to mission-critical activities such as wildlife monitoring, wildfire management, search and rescue operations, and law enforcement.

Historical Expenditures by Category



Visitation



Since 1980, Yellowstone's visitation has grown 50%, from approximately two to three million. Wildlife watching is a popular activity.

In 1895, when YNP began tracking visitation, 5,438 people visited the park. In 2002, that number was 2,978,360.

Factors influencing park visitation

Since 1980, Yellowstone's visitation has grown 50%, from approximately two to three million. While the average annual growth rate over this period was 2%, the chart below shows that there is fluctuation from year to year. Several factors can influence visitation, including the overall economy, travel costs and conditions, and vacation trends. Natural events can also play a role in influencing the number of visitors. For example, in 1988, visitation fell 15% in a single year as a result of the wildfires. In 1989, visitation quickly returned to pre-fire levels.

Visitation patterns

In many ways, today's visitors are similar to those who vis-

ited Yellowstone decades ago. The majority are American (93%), visit the park with their families (78%), travel in private vehicles (95%), and come to see sights like Old Faithful Geyser (85%), and to view the park's wildlife (93%). To accommodate diverse ethnic and national backgrounds, however, Yellowstone has increased its foreign language offerings and strives to recognize and accommodate cross-cultural values.

One significant change in visitation patterns has occurred in recent years; more people are visiting during winter months. Historically, summer visitors have accounted for 95% of visitation. However, winter visitation has grown rapidly, nearly doubling between 1975 and 2000 (from 70,000 to 140,000). As a result, the park has additional winter staffing and funding requirements.

Historical Visitation from 1895 to 2002

